

TOWNSHIP OF AU GRES
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Au Gres	County Arenac
Audit Date March 31, 2006	Opinion Date June 9, 2006	Date Accountant Report Submitted to State: July 18, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)

Campbell, Kusterer & Co., P.C.

Street Address

512 N. Lincoln, Suite 100, P.O. Box 686

City

Bay City

State

MI

Zip

48707

Accountant Signature

Campbell, Kusterer & Co., P.C.

TOWNSHIP OF AU GRES
Arenac County, Michigan

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Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 9, 2006

To the Township Board
Township of Au Gres
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Au Gres, Arenac County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Au Gres's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Au Gres, Arenac County, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Au Gres covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$431,266.85 for governmental activities and \$109,359.98 for business activities (water). Overall net assets increased \$59,066.95 due to an addition /improvements to the township hall bringing the hall into compliance with the persons with disabilities act; the township had \$9,393.99 in depreciation.

Overall revenues were \$390,492.77 (\$369,151.81 from governmental activities and \$21,340.96 from business-type activities (water). Governmental activities included in net assets is \$41,020.11 as a special assessment for road improvements. Voted millage increases for gypsy moth and mosquito control added \$75,648.30 to the Township's total assets.

Taxable value increased \$1,149,864.00 or approximately 3% from \$36,816,880.00 in 2004 to \$37,966,744.00 in 2005.

The Township incurred \$51,000.00 in debt for Township hall improvement projects.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Garbage Fund, Road Fund, Water Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Garbage Fund, Road Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

Business-Type Funds: The Township has a Water Fund which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we made improvements and addition to the township hall and parking area financed by way of a fifteen-year bank installment loan in the amount of \$51,000.00.

Our cash position in both the governmental and business-type activities remains strong.

Our external debt includes three years remaining at \$120,000.00 for the hard-surfacing of roads in the form of outstanding bonds and fourteen years remaining for the township hall improvements in the form of an installment loan owing \$48,587.62.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The Garbage Fund pays for Township trash collection, which is a special assessment. The Road Fund pays for general road maintenance. The Mosquito and Gypsy Moth Funds are voter approved millages. \$18,988.68 was paid out of the Mosquito fund for mosquito control and \$6.76 was paid out of the Gypsy Moth fund. Bay Ridge Drive and Booth Road Funds are used for special assessments tax funds used to pay off the Road Bond obligation. The Bond Fund is the holding account for bond payments; \$35,212.50 was paid to the bondholder. The Tax Fund is used as a holding account for property tax payments. The Water Fund is a business-type account for the Township's water customers.

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$20,000.00 of principal on long-term debt.

There were no investments in capital assets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The township governmental activities invested \$59,066.95 in capital assets during the year.

The Township's governmental activities paid \$32,412.38 of principal on long-term debt and received \$51,000.00 principal receipts on new long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing is the main source of financing for the Township. The future of state revenue sharing is very uncertain and may cause difficulties for the Township in the future. The population of the Township remained the same from the 1990 to the year 2000 census. Only a modest 3% taxable value increase occurred within the Township.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1865 Swenson Road, P.O. Box 783, Au Gres, Michigan 48703 or by calling 989-876-7293 or via fax 989-876-4190.

TOWNSHIP OF AU GRES
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	486 682 36	22 503 46	509 185 82
Taxes receivable	14 924 41	-	14 924 41
Accounts receivable	-	415 28	415 28
Special assessments receivable	10 385 90	-	10 385 90
Total Current Assets	<u>511 992 67</u>	<u>22 918 74</u>	<u>534 911 41</u>
NON-CURRENT ASSETS:			
Capital Assets	114 206 95	184 546 44	298 753 39
Less: Accumulated Depreciation	<u>(26 345 15)</u>	<u>(96 886 86)</u>	<u>(123 232 01)</u>
Total Non-current Assets	<u>87 861 80</u>	<u>87 659 58</u>	<u>175 521 38</u>
TOTAL ASSETS	<u>599 854 47</u>	<u>110 578 32</u>	<u>710 432 79</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	-	1 218 34	1 218 34
Total Current Liabilities	<u>-</u>	<u>1 218 34</u>	<u>1 218 34</u>
NON-CURRENT LIABILITIES:			
Loan payable	48 587 62	-	48 587 62
Bonds payable	120 000 00	-	120 000 00
Total Non-current Liabilities	<u>168 587 62</u>	<u>-</u>	<u>168 587 62</u>
Total Liabilities	<u>168 587 62</u>	<u>1 218 34</u>	<u>169 805 96</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	39 274 18	87 659 58	126 933 76
Reserved for debt service	2 864 34	-	2 864 34
Unrestricted	<u>389 128 33</u>	<u>21 700 40</u>	<u>410 828 73</u>
Total Net Assets	<u>431 266 85</u>	<u>109 359 98</u>	<u>540 626 83</u>
TOTAL LIABILITIES AND NET ASSETS	<u>599 854 47</u>	<u>110 578 32</u>	<u>710 432 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	
Governmental Activities:				
Legislative	42 997 95	-	-	(42 997 95)
General government	82 168 77	23 068 47	7 580 00	(51 520 30)
Public safety	4 360 50	-	-	(4 360 50)
Public works	101 682 43	93 531 73	-	(8 150 70)
Culture and recreation	3 882 73	-	-	(3 882 73)
Other	10 50	-	-	(10 50)
Interest on long-term debt	6 698 52	-	-	(6 698 52)
Total Governmental Activities	<u>241 801 40</u>	<u>116 600 20</u>	<u>7 580 00</u>	<u>(117 621 20)</u>
Business-Type Activities:				
Water	<u>28 030 98</u>	<u>21 340 96</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>28 030 98</u>	<u>21 340 96</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>269 832 38</u>	<u>137 941 16</u>	<u>7 580 00</u>	<u>(117 621 20)</u>
General Revenues:				
Property taxes				146 720 99
Other taxes				2 143 77
State revenue sharing				70 332 29
Interest				6 524 63
Miscellaneous				<u>19 249 93</u>
Total General Revenues				<u>244 971 61</u>
Change in net assets				127 350 41
Net assets, beginning of year				<u>303 916 44</u>
Net Assets, End of Year				<u>431 266 85</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(42 997 95)
-	(51 520 30)
-	(4 360 50)
-	(8 150 70)
-	(3 882 73)
-	(10 50)
-	(6 698 52)
-	(117 621 20)
<u>(6 690 02)</u>	<u>(6 690 02)</u>
<u>(6 690 02)</u>	<u>(6 690 02)</u>
<u>(6 690 02)</u>	<u>(124 311 22)</u>
-	146 720 99
-	2 143 77
-	70 332 29
99 73	6 624 36
-	19 249 93
<u>99 73</u>	<u>245 071 34</u>
(6 590 29)	120 760 12
<u>115 950 27</u>	<u>419 866 71</u>
<u>109 359 98</u>	<u>540 626 83</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
<u>Assets</u>				
Cash in bank	133 193 64	60 185 86	113 898 66	79 351 13
Taxes receivable	4 189 51	-	3 578 30	3 578 30
Special assessments receivable	-	6 870 09	-	-
Due from other funds	<u>38 941 55</u>	<u>1 249 26</u>	<u>-</u>	<u>-</u>
Total Assets	<u>176 324 70</u>	<u>68 305 21</u>	<u>117 476 96</u>	<u>82 929 43</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>2 492 67</u>	<u>26 409 76</u>	<u>4 388 33</u>	<u>4 388 33</u>
Total liabilities	<u>2 492 67</u>	<u>26 409 76</u>	<u>4 388 33</u>	<u>4 388 33</u>
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved:				
Undesignated	<u>173 832 03</u>	<u>41 895 45</u>	<u>113 088 63</u>	<u>78 541 10</u>
Total fund equity	<u>173 832 03</u>	<u>41 895 45</u>	<u>113 088 63</u>	<u>78 541 10</u>
Total Liabilities and Fund Equity	<u>176 324 70</u>	<u>68 305 21</u>	<u>117 476 96</u>	<u>82 929 43</u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Other Funds</u>	<u>Total</u>
54 911 84	43 042 42	484 583 55
3 578 30	-	14 924 41
-	3 515 81	10 385 90
-	3 975 42	44 166 23
<u>58 490 14</u>	<u>50 533 65</u>	<u>554 060 09</u>
<u>4 388 33</u>	<u>-</u>	<u>42 067 42</u>
<u>4 388 33</u>	<u>-</u>	<u>42 067 42</u>
-	2 864 34	2 864 34
<u>54 101 81</u>	<u>47 669 31</u>	<u>509 128 33</u>
<u>54 101 81</u>	<u>50 533 65</u>	<u>511 992 67</u>
<u>58 490 14</u>	<u>50 533 65</u>	<u>554 060 09</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 511 992 67

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	114 206 95
Accumulated depreciation	(26 345 15)

Long-term debt liabilities are not due and payable in the current period and
therefore are not reported in the governmental funds:

Loan Payable	(48 587 62)
Bonds payable	<u>(120 000 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 431 266 85

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
Revenues:				
Property taxes	33 246 52	-	37 826 17	37 824 15
Other taxes	2 143 77	-	-	-
Licenses and permits	9 582 07	-	-	-
State revenue sharing	70 332 29	-	-	-
State grant	7 580 00	-	-	-
Charges for services – PTAF	13 486 40	-	-	-
Interest	5 863 57	67 02	55 76	430 17
Special assessments	-	52 507 12	-	-
Miscellaneous	19 249 93	-	-	-
Total revenues	<u>161 484 55</u>	<u>52 574 14</u>	<u>37 881 93</u>	<u>38 254 32</u>
Expenditures:				
Legislative:				
Township Board	42 997 95	-	-	-
General government:				
Supervisor	5 795 84	-	-	-
Elections	1 177 19	-	-	-
Assessor	11 976 86	-	-	-
Clerk	7 851 97	-	-	-
Board of Review	1 483 64	-	-	-
Treasurer	15 114 92	-	-	-
Building and grounds	10 615 64	-	-	-
Cemetery	5 939 94	-	-	-
Gypsy moth	-	-	-	6 76
Mosquito control	-	-	-	-
Public safety:				
Building inspection	2 209 00	-	-	-
Planning and zoning	2 151 50	-	-	-
Public works:				
Highways and streets	-	-	46 648 50	-
Street lights	2 785 04	-	-	-
Sanitation	-	49 084 30	-	-
Drains	2 934 59	-	-	-
Culture and recreation:				
Parks and recreation	2 549 73	-	-	-
Other:				
Miscellaneous	-	-	-	-
Capital outlay	59 066 95	-	-	-
Debt service	3 898 40	-	-	-
Total expenditures	<u>178 549 16</u>	<u>49 084 30</u>	<u>46 648 50</u>	<u>6 76</u>
Excess (deficiency) of revenues over expenditures	<u>(17 064 61)</u>	<u>3 489 84</u>	<u>(8 766 57)</u>	<u>38 247 56</u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Other Funds</u>	<u>Total</u>
37 824 15	-	146 720 99
-	-	2 143 77
-	-	9 582 07
-	-	70 332 29
-	-	7 580 00
-	-	13 486 40
43 91	64 20	6 524 63
-	41 024 61	93 531 73
-	-	19 249 93
<u>37 868 06</u>	<u>41 088 81</u>	<u>369 151 81</u>
-	-	42 997 95
-	-	5 795 84
-	-	1 177 19
-	-	11 976 86
-	-	7 851 97
-	-	1 483 64
-	-	15 114 92
-	-	10 615 64
-	-	5 939 94
-	-	6 76
18 988 68	-	18 988 68
-	-	2 209 00
-	-	2 151 50
-	-	46 648 50
-	-	2 785 04
-	-	49 084 30
-	-	2 934 59
-	-	2 549 73
-	10 50	10 50
-	-	59 066 95
-	35 212 50	39 110 90
<u>18 988 68</u>	<u>35 223 00</u>	<u>328 500 40</u>
<u>18 879 38</u>	<u>(5 865 81)</u>	<u>40 651 41</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
Other financing sources (uses):				
Loan proceeds	51 000 00	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>51 000 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	33 935 39	3 489 84	(8 766 57)	38 247 56
Fund balances, April 1	<u>139 896 64</u>	<u>38 405 61</u>	<u>121 855 20</u>	<u>40 293 54</u>
Fund Balances, March 31	<u><u>173 832 03</u></u>	<u><u>41 895 45</u></u>	<u><u>113 088 63</u></u>	<u><u>78 541 10</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Other Funds</u>	<u>Total</u>
-	-	51 000 00
-	32 610 00	32 610 00
-	(32 610 00)	(32 610 00)
-	-	51 000 00
18 879 38	5 865 81	91 651 41
<u>35 222 43</u>	<u>44 667 84</u>	<u>420 341 26</u>
<u>54 101 81</u>	<u>50 533 65</u>	<u>511 992 67</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 91 651 41

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(4 780 33)
Capital Outlay	59 066 95

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	32 412 38
--------------------------------------	-----------

Receipt of debt principal in the form of loan proceeds is a financing source in the
governmental funds, the receipt does not have an effect in the statement of
activities but does increase the debt balance in the statement of net assets.

Principal receipts on long-term debt	<u>(51 000 00)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>127 350 41</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS
March 31, 2006

Enterprise
(Water)

Assets

Cash in bank	22 503 46
Accounts receivable	415 28
Water system	184 546 44
Accumulated depreciation	<u>(96 886 86)</u>
Total Assets	<u>110 578 32</u>

Liabilities and Net Assets

Liabilities:	
Accounts payable	<u>1 218 34</u>
Total liabilities	<u>1 218 34</u>
Net assets:	
Invested in capital assets, net of related debt	87 659 58
Unrestricted	<u>21 700 40</u>
Total net assets	<u>109 359 98</u>
Total Liabilities and Net Assets	<u>110 578 32</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
ALL PROPRIETARY FUNDS
Year ended March 31, 2006

	Enterprise (Water)
Operating revenues:	
Service charges	<u>21 340 96</u>
Total operating revenues	<u>21 340 96</u>
Operating expenses:	
Repairs and maintenance	4 409 53
Cost of water	18 904 69
Miscellaneous	<u>103 10</u>
Total operating expenses before depreciation	<u>23 417 32</u>
Operating income before depreciation	(2 076 36)
Less depreciation	<u>(4 613 66)</u>
Operating income (loss)	<u>(6 690 02)</u>
Non-operating income (expense):	
Interest earnings	<u>99 73</u>
Net non-operating income (expense)	<u>99 73</u>
Net income (loss)	(6 590 29)
Net assets, beginning of year	<u>115 950 27</u>
Net Assets, End of Year	<u><u>109 359 98</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended March 31, 2006

	Enterprise (Water)
Cash flows from operating activities:	
Cash received from customers	21 328 23
Cash payments to suppliers for goods and services	<u>(23 417 32)</u>
Net cash provided (used) for operating activities	<u>(2 089 09)</u>
Cash flows from investing activities:	
Interest income	<u>99 73</u>
Net cash provided (used) for investing activities	<u>99 73</u>
Net increase (decrease) in cash	(1 989 36)
Cash beginning of year	<u>24 492 82</u>
Cash End of Year	<u><u>22 503 46</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(6 690 02)
Depreciation	4 613 66
Increase (decrease) in assets and liabilities:	
Accounts receivable	(95 30)
Accrued compensated absences	<u>82 57</u>
Net Cash Provided (Used) for Operating Activities	<u><u>(2 089 09)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Au Gres, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Au Gres. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 3.8737 mills, and the taxable value was \$37,966,744.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-60 years
Furniture and equipment	6-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>526 492 85</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	149 534 61
Uninsured and Uncollateralized	<u>377 962 58</u>
Total Deposits	<u>527 497 19</u>

The Township of Au Gres did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land and improvements	33 060 00	12 000 00	-	45 060 00
Buildings and improvements	9 000 00	43 446 00	-	52 446 00
Equipment	<u>13 080 00</u>	<u>3 620 95</u>	-	<u>16 700 95</u>
Total	55 140 00	59 066 95	-	114 206 95
Accumulated Depreciation	<u>(21 564 82)</u>	<u>(4 780 33)</u>	-	<u>(26 345 15)</u>
Net Governmental Capital Assets	<u>33 575 18</u>	<u>54 286 62</u>	-	<u>87 861 80</u>
<u>Business-Type Activities:</u>				
Water System	184 546 44	-	-	184 546 44
Accumulated Depreciation	<u>(92 273 20)</u>	<u>(4 613 66)</u>	-	<u>(96 886 86)</u>
Net Business-Type Capital Assets	<u>92 273 24</u>	<u>(4 613 66)</u>	-	<u>87 659 58</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. Each covered employee also contributes to the plan. The net pension expense for the fiscal year ended March 31, 2006, was \$1,746.45.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$1,679.00 and building permit expenses of \$2,209.00.

Note 9 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
Bonds Payable – Roads	150 000 00	-	30 000 00	120 000 00
Loan Payable	-	51 000 00	2 412 38	48 587 62
Total	150 000 00	51 000 00	32 412 38	168 587 62

Note 10 – Bonds Payable – Roads

During the year 2004-2005, the Township sold bonds in the amount of \$170,000.00 to partially fund road work. The scheduled principal payments of \$35,000.00, \$40,000.00, \$45,000.00, respectively, are due on April 1 during each of the next three years. The interest rate varies from 2.3% to 3.7%, per annum. The principal balance outstanding on March 31, 2006, was \$120,000.00.

Note 11 – Loan Payable – Township Hall Improvements

On June 13, 2005, the Township obtained a loan in the amount of \$51,000.00 to fund improvements to the Township hall. The loan requires monthly payments of \$389.84 including interest at the rate of 4.50% per annum. As of March 31, 2006, the principal balance outstanding was \$48,587.62.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 12 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Bay Ridge Drive	2,492.67	General	2,492.67
<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Bay Ridge Drive	2 492 67	General	2 492 67
General	26 409 76	Garbage	26 409 76
Current Tax Collection	4 388 33	Road	4 388 33
Garbage	1 249 26	Current Tax Collection	1 249 26
General	12 531 79	Current Tax Collection	12 531 79
Current Tax Collection	4 388 33	Gypsy Moth	4 388 33
Current Tax Collection	4 388 33	Mosquito	4 388 33
Bay Ridge Drive	1 142 90	Current Tax Collection	1 142 90
Booth Road	339 85	Current Tax Collection	339 85
Total	<u>57 331 22</u>	Total	<u>57 331 32</u>

Note 13 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfers Out</u>
Bond Fund	11 740 00	Bay Ridge Drive	11 740 00
Bond Fund	<u>20 870 00</u>	Booth Road	<u>20 870 00</u>
Total	<u>32 610 00</u>	Total	<u>32 610 00</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	32 000 00	30 000 00	33 246 52	3 246 52
Other taxes	2 200 00	2 200 00	2 143 77	(56 23)
Licenses and permits	7 200 00	7 200 00	9 582 07	2 382 07
State revenue sharing	68 700 00	68 700 00	70 332 29	1 632 29
State grant	-	-	7 580 00	7 580 00
Charges for services:				
PTAF	10 750 00	10 750 00	13 486 40	2 736 40
Interest	4 000 00	4 000 00	5 863 57	4 863 57
Miscellaneous	<u>14 584 00</u>	<u>14 584 00</u>	<u>19 249 93</u>	<u>4 665 93</u>
Total revenues	<u>139 434 00</u>	<u>139 434 00</u>	<u>161 484 55</u>	<u>27 050 55</u>
Expenditures:				
Legislative:				
Township Board	63 550 00	55 050 00	42 997 95	(12 052 05)
General government:				
Supervisor	6 800 00	6 800 00	5 795 84	(1 004 16)
Elections	4 900 00	2 600 00	1 177 19	(1 422 81)
Assessor	14 500 00	12 000 00	11 976 86	(23 14)
Clerk	9 050 00	8 550 00	7 851 97	(698 03)
Board of Review	1 700 00	2 200 00	1 483 64	(716 36)
Treasurer	11 150 00	17 350 00	15 114 92	(2 235 08)
Building and grounds	12 600 00	12 700 00	10 615 64	(2 084 36)
Cemetery	8 200 00	10 200 00	5 939 94	(4 260 06)
Public safety:				
Building inspection	5 200 00	3 200 00	2 209 00	(991 00)
Planning and zoning	3 400 00	2 700 00	2 151 50	(548 50)
Public works:				
Street lights	11 831 00	12 731 00	2 785 04	(9 945 96)
Drains	3 000 00	3 000 00	2 934 59	(65 41)
Culture and recreation:				
Library	600 00	100 00	-	(100 00)
Parks and recreation	1 500 00	3 000 00	2 549 73	(450 27)
Capital outlay	-	60 000 00	59 066 95	(933 05)
Debt service	<u>5 000 00</u>	<u>5 000 00</u>	<u>3 898 40</u>	<u>(1 101 60)</u>
Total expenditures	<u>162 981 00</u>	<u>217 181 00</u>	<u>178 549 16</u>	<u>(38 631 84)</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues over expenditures	<u>(23 547 00)</u>	<u>(77 747 00)</u>	<u>(17 064 61)</u>	<u>(11 571 29)</u>
Other financing sources (uses):				
Loan proceeds	<u>-</u>	<u>-</u>	<u>51 000 00</u>	<u>51 000 00</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>51 000 00</u>	<u>51 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(23 547 00)</u>	<u>(777 47 00)</u>	<u>33 935 39</u>	<u>39 418 71</u>
Fund balance, April 1	<u>25 547 00</u>	<u>79 747 00</u>	<u>139 896 64</u>	<u>60 149 64</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>173 832 03</u>	<u>99 568 35</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	67 02	67 02
Special assessments	<u>49 540 00</u>	<u>49 540 00</u>	<u>52 507 12</u>	<u>2 967 12</u>
Total revenues	<u>49 540 00</u>	<u>49 540 00</u>	<u>52 574 14</u>	<u>3 034 14</u>
Expenditures:				
Public works:				
Sanitation	<u>49 540 00</u>	<u>49 540 00</u>	<u>49 084 30</u>	<u>(455 70)</u>
Total expenditures	<u>49 540 00</u>	<u>49 540 00</u>	<u>49 084 30</u>	<u>(455 70)</u>
Excess (deficiency) of revenues over expenditures	-	-	3 489 84	3 489 84
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>38 405 61</u>	<u>38 405 61</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>41 895 45</u>	<u>41 895 45</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	35 196 00	35 169 00	37 826 17	2 657 17
Interest	-	-	55 76	55 76
Total revenues	<u>35 169 00</u>	<u>35 169 00</u>	<u>37 881 93</u>	<u>2 712 93</u>
Expenditures:				
Public works:				
Highways and streets	<u>48 169 00</u>	<u>48 169 00</u>	<u>46 648 50</u>	<u>(1 520 50)</u>
Total expenditures	<u>48 169 00</u>	<u>48 169 00</u>	<u>46 648 50</u>	<u>(1 520 50)</u>
Excess of revenues over expenditures	(13 000 00)	(13 000 00)	(8 766 57)	4 233 43
Fund balance, April 1	<u>13 000 00</u>	<u>13 000 00</u>	<u>121 855 20</u>	<u>108 855 20</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>113 088 63</u>	<u>113 088 63</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GYPSY MOTH FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	430 17	430 17
Special assessments	<u>35 218 00</u>	<u>35 218 00</u>	<u>37 824 15</u>	<u>2 606 15</u>
Total revenues	<u>35 218 00</u>	<u>35 218 00</u>	<u>38 254 32</u>	<u>3 036 32</u>
Expenditures:				
General government:				
Gypsy moth	<u>35 218 00</u>	<u>35 218 00</u>	<u>6 76</u>	<u>(35 211 24)</u>
Total expenditures	<u>35 218 00</u>	<u>35 218 00</u>	<u>6 76</u>	<u>(35 211 24)</u>
Excess of revenues over expenditures	-	-	38 247 56	38 247 56
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>40 293 54</u>	<u>40 293 54</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>78 541 10</u></u>	<u><u>78 541 10</u></u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – MOSQUITO FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	43 91	43 91
Special assessments	<u>35 218 00</u>	<u>35 218 00</u>	<u>37 824 15</u>	<u>2 606 15</u>
Total revenues	<u>35 218 00</u>	<u>35 218 00</u>	<u>37 868 06</u>	<u>2 650 06</u>
Expenditures:				
General government:				
Mosquito control	<u>35 218 00</u>	<u>35 218 00</u>	<u>18 988 68</u>	<u>(16 229 32)</u>
Total expenditures	<u>35 218 00</u>	<u>35 218 00</u>	<u>18 988 68</u>	<u>(16 229 32)</u>
Excess of revenues over expenditures	-	-	18 879 38	18 879 38
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>35 222 43</u>	<u>35 222 43</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>54 101 81</u>	<u>54 101 81</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Salaries	5 343 00
Payroll taxes	1 452 76
Pension	1 746 45
Audit	2 000 00
Professional services	2 195 00
Memberships and dues	1 142 88
Insurance	21 640 00
Miscellaneous	7 477 86
	<u>42 997 95</u>
Supervisor:	
Salary	5 728 96
Miscellaneous	66 88
	<u>5 795 84</u>
Elections:	
Contracted services	587 00
Supplies	590 19
	<u>1 177 19</u>
Assessor:	
Contracted services	11 976 86
	<u>11 976 86</u>
Clerk:	
Salary	7 140 29
Supplies	366 57
Miscellaneous	345 11
	<u>7 851 97</u>
Board of Review:	
Wages	884 59
Miscellaneous	599 05
	<u>1 483 64</u>
Treasurer:	
Salary	7 585 16
Tax statement preparation	3 275 08
Miscellaneous	4 254 68
	<u>15 114 92</u>
Building and grounds:	
Contracted services	420 75
Utilities	4 137 25
Repairs and maintenance	4 125 24
Miscellaneous	1 932 40
	<u>10 615 64</u>
Cemetery:	
Wages	4 235 55
Repairs and maintenance	1 704 39
	<u>5 939 94</u>
Building inspection:	
Wages	1 730 00
Miscellaneous	479 00
	<u>2 209 00</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Planning and zoning:	
Wages	1 812 50
Miscellaneous	<u>339 00</u>
	<u>2 151 50</u>
Highways and streets:	
Street lighting	<u>2 785 04</u>
Drains	<u>2 934 59</u>
Parks and recreation:	
Repairs and maintenance	<u>2 549 73</u>
Capital outlay	<u>59 066 95</u>
Debt service	<u>3 898 40</u>
Total Expenditures	<u><u>178 549 16</u></u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2006

<u>Assets</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>	<u>Mosquito</u>
Cash in bank	60 185 86	113 898 66	79 351 13	54 911 84
Taxes receivable	-	3 578 30	3 579 30	3 578 30
Special assessments receivable	6 870 09	-	-	-
Due from other funds	<u>1 249 26</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>68 305 21</u>	<u>117 476 96</u>	<u>82 929 43</u>	<u>58 490 14</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>26 409 76</u>	<u>4 388 33</u>	<u>4 388 33</u>	<u>4 388 33</u>
Total liabilities	<u>26 409 76</u>	<u>4 388 33</u>	<u>4 388 33</u>	<u>4 388 33</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>41 895 45</u>	<u>113 088 63</u>	<u>78 541 10</u>	<u>54 101 81</u>
Total fund equity	<u>41 895 45</u>	<u>113 088 63</u>	<u>78 541 10</u>	<u>54 101 81</u>
Total Liabilities and Fund Equity	<u>68 305 21</u>	<u>117 476 96</u>	<u>82 929 43</u>	<u>58 490 14</u>

<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
20 334 54	19 843 54	348 525 57
-	-	10 734 90
457 16	3 058 65	10 385 90
<u>3 635 57</u>	<u>339 85</u>	<u>5 224 68</u>
<u>24 427 27</u>	<u>23 242 04</u>	<u>374 871 05</u>
-	-	39 574 75
-	-	39 574 75
24 427 27	23 242 04	335 296 30
<u>24 427 27</u>	<u>23 242 04</u>	<u>335 296 30</u>
<u>24 427 27</u>	<u>23 242 04</u>	<u>374 871 05</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended March 31, 2006

	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>	<u>Mosquito</u>
Revenues:				
Property taxes	-	37 826 17	37 824 15	37 824 15
Special assessments	52 507 12	-	-	-
Interest	<u>67 02</u>	<u>55 76</u>	<u>430 17</u>	<u>43 91</u>
Total revenues	<u>52 574 14</u>	<u>37 881 93</u>	<u>38 254 32</u>	<u>37 868 06</u>
Expenditures:				
General government:				
Gypsy moth	-	-	6 76	-
Mosquito control	-	-	-	18 988 68
Public works:				
Sanitation	49 084 30	-	-	-
Highways and streets	-	46 648 50	-	-
Other:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>49 084 30</u>	<u>46 648 50</u>	<u>6 76</u>	<u>18 988 68</u>
Excess (deficiency) of revenues over expenditures	<u>3 489 84</u>	<u>(8 766 57)</u>	<u>38 247 56</u>	<u>18 879 38</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 489 84	(8 766 57)	38 247 56	18 879 38
Fund balances, April 1	<u>38 405 61</u>	<u>121 855 20</u>	<u>40 293 54</u>	<u>35 222 43</u>
Fund Balances, March 31	<u>41 895 45</u>	<u>113 088 63</u>	<u>48 541 10</u>	<u>54 101 81</u>

<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
-	-	113 474 47
14 176 46	26 848 15	93 531 73
<u>8 22</u>	<u>30 01</u>	<u>635 09</u>
<u>14 184 68</u>	<u>26 878 16</u>	<u>207 641 29</u>
-	-	6 76
-	-	18 988 68
-	-	49 084 30
-	-	46 648 50
<u>10 50</u>	<u>-</u>	<u>10 50</u>
<u>10 50</u>	<u>-</u>	<u>114 738 74</u>
<u>14 174 18</u>	<u>26 878 16</u>	<u>92 902 55</u>
<u>(11 740 00)</u>	<u>(20 870 00)</u>	<u>(32 610 00)</u>
<u>(11 740 00)</u>	<u>(20 870 00)</u>	<u>(32 610 00)</u>
2 434 18	6 008 16	60 292 55
<u>21 993 09</u>	<u>17 233 88</u>	<u>275 003 75</u>
<u>24 427 27</u>	<u>23 242 04</u>	<u>335 296 30</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
<u>Assets</u>				
Cash in Bank	<u>67 780 61</u>	<u>1 374 788 32</u>	<u>1 423 163 09</u>	<u>19 405 84</u>
<u>Liabilities</u>				
Due to other funds	16 976 50	265 040 48	279 917 87	2 098 81
Due to other units	<u>50 804 41</u>	<u>1 109 747 84</u>	<u>1 143 245 22</u>	<u>17 307 03</u>
Total Liabilities	<u>67 780 91</u>	<u>1 374 788 32</u>	<u>1 423 163 09</u>	<u>19 405 84</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2006

Cash in bank – beginning of year	<u>67 780 61</u>
Cash receipts:	
Property tax	1 362 272 11
Property tax administration fees	12 442 14
Interest	74 07
Total cash receipts	<u>1 374 788 32</u>
Total beginning balance and cash receipts	<u>1 442 568 93</u>
Cash disbursements:	
Township General Fund	53 734 76
Township Road Fund	43 637 93
Township Bay Ridge Fund	14 193 31
Township Mosquito Fund	43 646 82
Township Gypsy Moth Fund	43 646 82
Township Booth Road Fund	28 880 04
Township Garbage Fund	52 178 19
Arenac County	530 228 99
Au Gres Fire Authority	35 940 31
Bay Arenac Intermediate School District	172 237 52
Au Gres Sims School District	404 744 87
Refunds	93 53
Total cash disbursements	<u>1 423 163 09</u>
Cash in Bank – End of Year	<u>19 405 84</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 9, 2006

To the Township Board
Township of Au Gres
Arenac County, Michigan

We have audited the financial statements of the Township of Au Gres for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Au Gres in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Au Gres
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants